

Message from the Inspector General



I am pleased to present the Office of Inspector General's (OIG) FY 2006 Performance Report. OIG's results for the past year were noteworthy, despite the daunting challenge of meeting exponentially increasing demands for our expertise and oversight within the continuing constraints of limited resources and rapidly rising costs. Our work provides real-time information to the Department and Congress on matters affecting the Department's most critical programs, including on-the-ground reviews in Iraq and Afghanistan. OIG's value added is demonstrated in significant findings, cost efficiencies and savings, and actions taken by the Department and BBG in response to OIG work that result in improvements to the effectiveness, efficiency, economy, and integrity of their operations and the safety, quality of life, and accountability of their personnel.

I am proud of the contribution OIG makes to helping the Department address its management and performance challenges. The scope of our oversight mandate and the opportunity it offers to make a positive impact in strengthening the management of the Department continue to expand rapidly. During FY 2006, OIG expanded its oversight to encompass new Department initiatives in transformational diplomacy, global repositioning, and public diplomacy, as well as substantial increases in programs for Iraq and Afghanistan, counternarcotics, counterterrorism, embassy construction, and information technology. Significant growth in the number of programs and grants with mandated OIG oversight, congressional and management requests for special reviews and investigations, and opportunities for joint activities with other departments, agencies, and OIGs further enhance both the challenges and the benefits of our work.

The expansive scope of these activities has resulted in substantial benefits to the U.S. Government and the American taxpayer. OIG accomplishments in FY 2006 have supported the Department's strategic goals as well as OIG's vision of promoting effective management, accountability, and positive change in the Department of State and the Broadcasting Board of Governors (BBG). During FY 2006, OIG activities resulted in actual recoveries and identified savings of more than \$31.3 million, as well as issuance of 100 reports with recommendations to improve Department and BBG programs and operations. Other substantive outcomes of our work included:

- Actions toward a strategic plan for Embassy Baghdad's rule-of-law programs, which will strengthen the embassy's coordinating role and increase Iraqi participation in project development;
- Improvements to strengthen Iraqi anticorruption programs by increasing the effectiveness of Embassy Baghdad's interagency working group, establishing a strategy for U.S. advisors and trainers to bridge gaps between Iraqi anticorruption institutions, and supporting a training facility for Iraqi anticorruption personnel;
- Strengthened internal management controls at the Global Financial Services Center in Charleston;
- Immediate security improvements and potential cost avoidances for the new embassy construction project in Beijing, China; and
- Corrective actions to improve border security and reduce vulnerabilities from terrorists.

OIG has accomplished a lot this year, but like the Department, we have much to do to meet the management and performance challenges we have set for ourselves. I am committed to restoring OIG's capabilities to provide the oversight and advisory assistance necessary to assure the Department, Congress, and the American taxpayer that the programs and operations we review are as effective, efficient, economical, and accountable as possible.

Howard J. Krongard
Inspector General

OIG FY 2006 PERFORMANCE RESULTS

This overview presents the highlights of OIG's FY 2006 accomplishments and progress in achieving its strategic and performance goals.

OIG Responsibilities and Organization

The mission of the Office of Inspector General is to conduct independent audits, inspections, and investigations that advance the missions of the Department of State (Department) and the Broadcasting Board of Governors (BBG). As required by law, OIG provides independent, objective, and professional oversight of these operations and activities through a rigorous program of inspections, audits, special reviews, and investigations. It is OIG's responsibility to examine, evaluate, and, where necessary, critique these operations and activities, recommending ways for these agencies to carry out their respective responsibilities in the most effective, efficient, and economical manner possible.

All OIG operations are located in the Washington, D.C., area, although OIG staff conduct their work at Department and BBG locations worldwide. In June 2006, OIG implemented an organizational change with the addition of a second Deputy Inspector General position to provide better oversight of OIG products and services. OIG's mission is carried out by four functional offices (Audits, Information Technology, Inspections, and Investigations) and the Office of the Executive Director for internal operations, as well as four advisory and support units (Office of Counsel, Senior Advisor for Security and Intelligence, Iraq/Afghanistan Coordinator, and Congressional and Public Affairs).

The Government Performance and Results Act of 1993 requires agencies to submit annual performance reports detailing their success in achieving the goals and measures in their annual performance plans. As the independent oversight body for the Department of State and the BBG, OIG has its own vision, mission, strategic goals, and performance goals, measures, and targets. OIG does not implement foreign policy, provide security, manage financial and administrative operations, or ensure accountability. Through its oversight, however, OIG works to ensure that the Department and BBG do better at these factors and all facets of their operations and activities.

OIG Impact: Achieving Results

OIG has established a separate but complementary set of strategic goals that are expressed in terms of the impact of its work in ensuring the efficiency, effectiveness, and integrity of programs and initiatives that are critical to achieving Department and BBG strategic objectives. OIG's performance plan also includes an internal management excellence goal focused on promoting staff excellence and improving internal processes and products. The majority of OIG's activities directly support the Department's strategic objective to "Strengthen Diplomatic and Program Capabilities" and the strategic goal of "Management Excellence," although OIG's work also supports many other Department and BBG strategic goals. OIG's measures of success are based on the premise that the ability of the Department and BBG to achieve their goals and missions is enhanced by OIG's efforts to objectively review their programs and activities, identify deficiencies and vulnerabilities, and recommend corrective actions. The outcomes of OIG's work are most evident in the actions taken by the Department and BBG in response to audit and inspection recommendations and investigations.

<i>OIG Strategic and Performance Goals</i>	
<i>Strategic Goal (SG)</i>	<i>Performance Goal (PG)</i>
<i>SG1: The Department and the BBG effectively, efficiently, and economically advance the foreign policy interests of the United States</i>	PG1: Improve the operations of overseas missions, domestic bureaus, and international broadcasting activities through inspections, audits, and program evaluations
<i>SG2: The Department and the BBG adequately protect the people, information, and facilities under their control in the United States and abroad</i>	PG1: Assess security for personnel, facilities, and information at Department and BBG facilities worldwide and ensure that necessary corrective actions are implemented
<i>SG3: The Department and the BBG have the necessary systems and controls to meet legal and operational requirements</i>	PG1: Identify vulnerabilities in Department and BBG financial and administrative support programs and recommendations to improve them
	PG2: Evaluate Department and BBG progress in addressing priority issues such as the Secretary's management priorities, major management challenges, high-risk areas, performance measurement, and the President's Management Agenda
<i>SG4: The Department and the BBG ensure accountability and prevent or eliminate fraud, waste, abuse, and mismanagement in programs and operations</i>	PG1: Identify potential monetary and non-monetary benefits resulting from audit, inspection, program evaluation and investigative findings concerning fraud, waste, abuse, and mismanagement; and improve the efficiency of Department operations and compliance with applicable contract and grant agreements
	PG2: Promote professional and ethical conduct and accountability, and investigate fraud, waste, abuse, and mismanagement
<i>Management Excellence</i>	PG1: Ensure that employees have the professional skills and expertise necessary to fulfill OIG mission and goals
	PG2: Continuously improve OIG products and processes for maximum impact in meeting customer needs

Resources Supporting Strategic Goals

OIG strategic goals were supported by a FY 2006 appropriation of \$29.65 million, and a supplemental appropriation of \$1.3 million to conduct oversight work related to post-conflict stabilization and reconstruction in Iraq and Afghanistan.¹ Funding issues and recruitment problems limited OIG's on-board staffing to an average of 182 employees during FY 2006. Allocation of resources to OIG's strategic goals is summarized below.

<i>Allocation of Resources to Strategic Goals</i>				
<i>Strategic Goal</i>	<i>Appropriation</i>	<i>% of Appropriation</i>	<i>Number of Staff</i>	<i>% of Staff</i>
SG1: Foreign Policy	\$9.1 million	31%	47	26%
SG2: Security	\$5.7 million	19%	35	19%
SG3: Financial Management	\$7.9 million	27%	52	29%
SG4: Accountability	\$6.9 million	23%	48	26%

¹ The supplemental appropriation for FY 2006-07 was received too late in the fiscal year to be expended in support of FY 2006 activities. It will be allocated against OIG's FY 2007 activities and performance results.

OIG's appropriation has been essentially flat since the mid-1990s, while the Department's overall appropriations have increased almost 126 percent. During this period, OIG's appropriation, as a percentage of the Department's appropriation, has decreased from nearly 0.6 percent to 0.35 percent.

Fiscal Year	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Appropriation (\$ millions)	\$27.33	\$27.50	\$27.50	\$28.50	\$27.38	\$28.43	\$29.00	\$29.97	\$31.40	\$30.00	\$29.65
Supplemental Appropriation (\$ millions)										\$1.69	\$1.30
% of Dept. Appropriation	.59%	.59%	.51%	.37%	.42%	.41%	.34%	.34%	.35%	.36%	.35%

Supplemental appropriations of \$1.69 million in FY 2005 and \$1.3 million in FY 2006 have helped provide oversight for programs in Iraq and Afghanistan. However, OIG still faces significant challenges in restoring oversight capabilities eroded by a decade of static appropriations. Continued growth in mandated oversight responsibilities, special Department and congressional requests, and new activities related to Iraq and Afghanistan further strain OIG's capabilities in an environment of increasing costs and declining resources. OIG will meet these challenges by actively making its case for the resources it needs to meet its oversight and investigative responsibilities while continuing efforts to use the resources it has more efficiently and effectively and by continuing to reengineer its internal processes and procedures to improve efficiency and effectiveness and increase productivity.

PERFORMANCE SUMMARY AND HIGHLIGHTS

Overall, OIG achieved 60 percent of its FY 2006 performance targets, with some results substantially exceeding targets. These included the measures for actual recoveries or monetary benefits and potential savings identified, which exceeded the target by 268 percent, and for audit return on investment, which exceeded the target by 72 percent. Two-thirds of the targets not achieved involved delays in reaching management agreement on OIG recommendations. Most of the performance shortfalls experienced in FY 2006 were the result of funding issues and staffing shortages. These reduced OIG's ability to staff projects and positions responsible for addressing timely management decisions on OIG recommendations. Streamlined procedures and more efficient use of resources, along with aggressive new recruitment efforts, should enable OIG to better meet its future targets and to achieve those not met in FY 2006.

Most Significant Accomplishments and Expected Future Results

During FY 2006, OIG findings and recommendations prompted the Department and BBG to take actions that produced significant results or laid the foundation for expected future results to improve the effectiveness, efficiency, and economy of their programs and operations. During its review of the rule-of-law programs in Iraq, OIG identified approximately \$400 million in related spending by multiple agencies and made recommendations to establish an overarching strategic plan for Embassy Baghdad's rule-of-law programs. A joint survey with SIGIR resulted in recommendations to strengthen Iraqi anticorruption programs and provide support and guidance for Iraqi efforts to establish a training facility for anticorruption personnel. Other accomplishments included: improved procedures designed so that only American citizens received U.S. passports; better protection of classified information and materials; improvements in the integrity and reliability of information and financial management systems; better accountability for Department employees, contractors, and grantees; identification of potential cost benefits; and reduced fraud and other violations of law and regulation. OIG's performance results, and highlights of OIG's most significant accomplishments and expected future results from OIG recommendations, are summarized below by strategic goal.

